Constellation Oil Services Holding S.A. Reports Second Quarter 2024 Results

Luxembourg, August 28th, 2024 – Constellation Oil Services Holding S.A. ("Constellation" or the "Company") a market leading provider of offshore oil and gas contract drilling services, today reported results for the second quarter ended June 30, 2024.

SECOND QUARTER HIGHLIGHTS

- Revenues increased 2.6% year-over-year, to US$ 144.3 million in 2Q24
- Adjusted Net loss was US$ (4.6) million in 2Q24, compared to US$ (8.1) million in 2Q23;
- Adjusted EBITDA[1] totaled US$ 56.8 million and the adjusted EBITDA margin was 39.4% in 2Q24, compared to US$ 53.7 million and 38.1% in 2Q23, respectively;
- The total backlog as of June 30, 2024 was $1.1 billion;
- Average uptime increased to 98% in 2Q24, compared to 92% in 2Q23.
- Net debt decreased by US$ 7.7 million to US$ 866.8 million as of June 30, 2024 compared to December 2023.

RECENT DEVELOPMENTS

- On July 9, 2024, the Group incorporated to their structure the company CBW B.V. established in the Netherlands.

- The transfer of the onshore rigs QG-IV, QG-V, QG-VI, QG-VII, QG-VIII and QG-IX was concluded on July 22, 2024. Note 9a).

SECOND QUARTER 2024 RESULTS

In 2Q24, net operating revenue increased 2.6%, or US$ 3.6 million, to US$ US$ 144.3 million when compared to 2Q23. In the semester, there was a 2.5% revenue increase year over year, from US$ 281.0 million to US$ 288.1 million, despite operating with one less rig in the fleet. This positive outcome was driven by the higher uptime from the fleet and the higher day rates from the new contracts of Brava Star and Alpha Star.

In 2Q24, contract drilling expenses (operating costs excluding depreciation) increased 12.8% year-over-year to US$ 90.5 million, compared with US$ 80.2 million in 2Q23. The increase was primarily driven by higher material costs totaling US$7.8 million, which included US$2.8 million in import taxes (freight forward) on backlog materials acquired in 2023, along with US$5.0 million of anticipated expenses related to consumables for general

[1] Adjusted EBITDA is a non-GAAP measure prepared by us and consists of: net income, plus net financial expenses taxes, depreciation and some specified non cash adjustments.

maintenance. Personnel costs and related charges increased by US$ 3.3 million, due to the collective union agreement signed late last year, and higher short-term incentive plans accrual in 2Q24. Maintenance, Insurance and other costs had slight decrease of US$0.8 million.

General and administrative expenses had a 3,4% increase year over year, from US$ 7.7 million in 2Q23 to 8.0 million in 2Q24.

Other Operating income was positively impacted in the quarter by the recognition of the sale of Olindar Star for US$8.1 million and the reversion US$2.0 million of penalties provisions from previous years.

In 2Q24, adjusted EBITDA was US$ 56.8 million and adjusted EBITDA margin was 39.4%, compared to US$ 53.7 million and 38.1%, respectively, in 2Q23. In the semester, Adjusted EBITDA decreased to US$ 108.8 million in 1S24 compared to US$109.9 million posted in 1S23.

Adjusted net financial expenses decreased 10.3% to US$ (15.4) million in 2Q24, compared to US$ (17.2) million in 2Q23. Most of the improvement is related to higher financial income on cash balance and the reduction of 100bps per year in the cost of debt triggered by the election to pay quarterly interest in cash.

Adjusted Net income in 2Q24 was a loss of US$ (4.6) million, compared to a loss of US$ (8.1) million in 2Q23. The Net Loss reduction is mostly linked to lower income taxes in the comparison year over year.

CASH FLOW & BALANCE SHEET HIGHLIGHTS

Cash flow provided by operating activities totaled US$ 90.7 million in 2Q24, compared to US$ 51.1 million in 2S23. The US$ 39.6 million increase was mainly driven by the Brava Star mobilization fee of US$25.7 million received this semester and the anticipation of receivables made in 4Q22 which reduced receivables collected in 1S23.

Investments activities in Capex increased US$ 20.7 million (72.3%) year over year, from US$ 28.7 million in 1S23 to US$ 49.9 million in 1S24. Short term cash investments increased US$18.2 million in the semester in the comparison year over year.

Cash flow used in financing activities increased US$ 39.2 million year over year, from US$ 6.2 million in 1S23 to US$ 45.5 million in 1S24. The increase is mostly linked to the election to pay interest in cash and to the start of the amortization of New Money Debt.

Outstanding cash (which includes cash and cash equivalents, short-term investments and restricted cash) decreased US$ 6.7 million from December 31, 2023, to US$ 83.0 million as of June 30, 2024.

Total debt decreased by US$ 14.6 million to US$ 949.9 million as of June 30, 2024, compared to US$ 964.2 million as of December 31, 2023. Net debt also decreased by US$ 7.7 million to US$ 866.8 million as of June 30, 2024.

OTHER REMARKS

As previously announced, Company has engaged in a strategic review and is in the process of considering various commercial, strategic, and financing opportunities. In connection with that process, Constellation may consider a recapitalization that would include a refinancing of some, or all, of its existing indebtedness in the international capital markets or bank markets, including the possibility of raising additional equity from third parties and/or existing stakeholders. Any such recapitalization and/or refinancing would depend on market conditions at the time of any such transaction and would take into account feedback from Constellation's existing stakeholders. Constellation cannot provide any assurances that a recapitalization or refinancing will occur. Constellation continues to execute on its' business plan and implement improvements in operational efficiency and will evaluate opportunities available to it that it believes are in the best interests of all its stakeholders and will allow Constellation to continue to deliver its best-in-class service to its customers. We currently anticipate that following such recapitalization, total gross debt in the company could be US$ 600-650 million, with cash around US$ 100 million.

ABOUT CONSTELLATION OIL SERVICES HOLDING S.A.

Constellation is a market leading provider of offshore oil and gas contract drilling services through its subsidiary Serviços de Petróleo Constellation S.A. ("Serviços de Petróleo Constellation"). With continuous operations since 1981, Serviços de Petróleo Constellation has built an unmatched reputation for excellence in offshore drilling services, obtaining ISO 9001, ISO 14001, ISO 45001, and API Spec Q2 certifications for its quality management, environmental and safety records and systems.

FORWARD LOOKING STATEMENTS

Matters discussed in this release may constitute forward-looking statements. Forward-looking statements relate to Constellation's expectations, beliefs, intentions or strategies regarding the future. These statements may be identified by the use of words like "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project," "should," "seek," and similar expressions. Forward-looking statements reflect Constellation's current views and assumptions with respect to future events and are subject to risks and uncertainties.

The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in Constellation's records and other data available from third parties. Although Constellation believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond Constellation's control, Constellation cannot assure you that it will achieve or accomplish these expectations, beliefs or projections described in the forward-looking statements contained herein. Actual and future results and trends could differ materially from those set forth in such statements.

Important factors that could cause actual results to differ materially from those discussed in the forward-looking statements include (i) factors related to the offshore drilling market, including supply and demand, utilization and day rates; (ii) hazards inherent in the drilling industry causing personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations; (iii) changes in laws and governmental regulations, particularly with respect to environmental or tax matters; (iv) the availability of competing offshore drilling rigs; (v) the performance of our drilling units; (vi) our ability to procure or have access to financing and comply with our loans and financings covenants; (vii) our ability to successfully employ our drilling units; (viii) our capital expenditures, including the timing and cost of completion of capital projects; and (ix) our revenues and expenses. Due to such uncertainties and risks, investors are cautioned not to place undue reliance upon such forward-looking statements.

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Constellation– Financial and Operating Highlights

	For the three–month period ended June 30, (unaudited)		For the six-month period ended June 30, (unaudited)	
	2024	**2023**	**2024**	**2023**
Statement of Operations Data:	*(in millions of $)*		*(in millions of $)*	
Net operating revenue	144.3	140.7	288.1	281.0
Operating Costs	(140.4)	(125.1)	(276.2)	(248.7)
Gross profit	3.9	15.6	11.9	32.2
General and administrative expenses	(8.0)	(7.7)	(14.9)	(14.9)
Other operating income (expenses). net	14.1	(0.1)	22.4	0.7
Operating profit	10.0	7.7	19.4	18.0
Financial expenses. net	(15.4)	6.8	(30.5)	(9.6)
Profit before taxes	(5.4)	14.6	(11.1)	8.4
Taxes	4.0	0.4	7.4	(1.2)
Profit for the period	(1.4)	14.9	(3.8)	7.3

	For the three–month period ended June 30, (unaudited)		For the six-month period ended June 30, (unaudited)	
	2024	**2023**	**2024**	**2023**
Other Financial Information:				
Profit for the period/year………………………………	(1.4)	14.9	(3.8)	7.3
(+) Financial expenses. net ………………………	15.4	(6.8)	30.5	9.6
(+) Taxes ……………………………………………………	(4.0)	(0.4)	(7.4)	1.2
(+) Depreciation …………………………………………	50.0	44.9	100.0	90.9
EBITDA (1) ……………………………………………………	60.0	52.7	119.3	108.9
EBITDA margin (%) (2) ………………………………	41.6%	37.4%	41.4%	38.8%
Non-cash adjustment ………………………………				
Impairment (3) ………………………………………………	-	-	-	-
Onerous contract provision. net (4)…………………	(4.2)	0.0	(12.4)	-
Management Incentive Plan (MIP)…………………	0.4	1.0	1.1	1.0
Other Extraordinary Expenses (5)…………………	0.6	0.0	0.8	-
Adjusted EBITDA (1) ………………………………………	56.8	53.7	108.8	109.9
Adjusted EBITDA margin (%) (2) ……………………	39.4%	38.1%	38.7%	33.1%
Derivative ……………………………………………………	0.0	(24.0)	0.0	(24.0)
Adjusted net financial expenses (6) ………………	(15.4)	(17.2)	(30.5)	(33.5)
Adjusted net income (7) …………………………………	(4.6)	(8.1)	(2.8)	(15.7)

(1) EBITDA is a non-GAAP measure prepared by us and consists of: net income. plus net financial expenses taxes and depreciation. EBITDA is not a measure defined under IFRS. should not be considered in isolation. does not represent cash flow for the periods indicated and should not be regarded as an alternative to cash flow or net income. or as an indicator of operational performance or liquidity. EBITDA does not have a standardized meaning. and different companies may use different EBITDA definitions. Therefore. our definition of EBITDA may not be comparable to the definitions used by other companies. We use EBITDA to analyze our operational and financial performance. as well as a basis for administrative decisions. The use of EBITDA as an indicator of our profitability has limitations because it does not account for certain costs in connection with our business. such as net financial expenses. taxes. depreciation. capital expenses and other related expenses. Adjusted EBITDA is also a non-GAAP measure prepared by us and consists of: net income. plus net financial expenses taxes. depreciation and some specified non cash adjustments.

(2) EBITDA margin is a non-GAAP measure prepared by us. EBITDA margin is calculated by dividing EBITDA by net operating revenue for the applicable period. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by net operating revenue for the applicable period.

(3) In 2022 and 2023 the Group identified indicators that part of the impairment loss recognized in prior periods of its offshore asset groups may have decreased. Such indicators included recovery in commodity prices and projected day rates. As a result. the Company recognized an impairment reversal of US$ 560.8 million in 2022 and US$ 54.7 million in 2023. Within the impairment of 2023. there are US$(13.9) million linked to the transaction costs/sale of the onshore assets. Therefore, the impairment related to the offshore asset totals US$ 68.6 million.

(4) In 2023 the Company provisioned US$ 29.6 million in onerous contract provision triggered by the recognition of a higher depreciation projection as consequence of the impairment and an increased OPEX forecasts impacted by the inflationary pressures facing our sector.

(5) Costs related to restructuring of charter legal entities and other strategic initiatives requested by the Board.

(6) Adjusted net financial expenses is a non-GAAP measure prepared by us and consist of some specified noncash adjustments such as the exclusion of the derivative effect as per note 20 of the financial statements.

(7) Adjusted net income/(loss) is a non-GAAP measure prepared by us and consist of some specified non cash adjustments.

	As of June 30, (unaudited)	As of December 31, (audited)
	2024	**2023**
Consolidated Statement of Financial Position:		
Cash and cash equivalents	63.0	87.9
Short-term investments	18.3	0.0
Restricted cash	1.7	1.7
Total assets	2,627.7	2,704.2
Total loans and financings	949.9	964.2
Total liabilities	1,099.4	1,159.8
Shareholders' equity	1,528.2	1,544.3
Net Debt(1)......	866.8	874.5

(1) Net Debt is a non-GAAP measure prepared by us and consists of: Total Loans and Financings, net of Cash, Cash and equivalents and Short-term investments

	For the six-month period ended June 30, (unaudited)	
	2024	**2023**
Consolidated Statement of Cash Flows:		
Cash flows provided by operating activities:		
Profit for the period	(3.8)	7.3
Adjustments to reconcile net income to net cash used in operating activities	105.7	94.5
Net income after adjustments to reconcile net income to net cash used in operating activities	**102.0**	**101.8**
Increase (decrease) in working capital related to operating activities	(11.2)	(50.7)
Cash flows provided by operating activities	**90.7**	**51.1**
Short-term investments	(18.2)	0.0
Acquisition of property, plant and equipment	(49.4)	(28.7)
Cash flows after investing activities	**23.1**	**22.5**
Cash flows used in financing activities	(45.5)	(6.2)
Increase (decrease) in cash and cash equivalents	**(22.4)**	**16.2**
Effects of exchange rate changes on the balance of cash held in foreign currencies	(2.5)	1.3
Cash and cash equivalents at the beginning of the period	**87.9**	**59.5**
Cash and cash equivalents at the end of the period	**63.0**	**77.0**

Fleet summary report

Offshore Rig	% Interest	Type	Water Depth (ft)	Delivery Date	Customer	Contract Start	Contract End	New Contract Start	New Contract End
Ultra-deepwater									
Alpha Star (4)	100%	DP; SS	9,000	July 2011	3R/ Petrobras	September 2023	December 2024	March 2025	February 2028
Lone Star (3)	100%	DP; SS	7,900	April 2011	Petrobras	September 2022	September 2025		
Gold Star (3)	100%	DP; SS	9,000	February 2010	Petrobras	August 2022	August 2025		
Amaralina Star (5)	100%	DP drillship	10,000	September 2012	Petrobras	October 2022	October 2025		
Laguna Star (2)	100%	DP drillship	10,000	November 2012	Petrobras	March 2022	February 2025		
Brava Star (1)	100%	DP drillship	12,000	August 2015	Petrobras	December 2023	December 2026		
Midwater									
Atlantic Star (6)	100%	Moored; SS	2,000	February 2011 (1)	Petrobras	January 2021	January 2025		

(1) On December 08. 2022. the Company announced a contract for the Brava Star drillship with Petrobras. The job has a total duration of 1095 days. plus a mutually agreed option to extend it till the same period. The operations started on December 19th 2023.

(2) On July 6. 2021. the group announced that the Laguna Star drillship was awarded a new contract with Petrobras. The contract has a 3-year estimated duration and includes the use of the MPD system. The operations commenced on March 01. 2022.

(3) On January 03. 2022. the Company announced that the Gold and Lone Star rigs have been awarded contracts with Petrobras S.A. ("Petrobras"). The operations of Gold Star contract started on August 09. 2022. while Lone Star's operations commenced on September 14. 2022. Each contract has a duration of 1095 days and has the option to be extended by mutual agreement in up 17 months. Contract includes a termination for convenience after 365 days subject to a demobilization fee.

(4) On September 17th. 2023 the company started a new contract of 464 days with 3R Petroleum in direct continuation to the end of the commitment with Enauta. On September 20. 2023. the group announced that the Alpha Star was awarded a new contract with Petrobras. The contract has a firm duration of 1095 days plus a mutually agreed option to extend it for the same period. The operations are expected to commence in March. 2025.

(5) On December 06. 2021. the Company announced a new contract for the Amaralina Star drillship with Petrobras. The job has a total duration of 1095 days. consisting of 730 days of a firm scope plus options to extend the contract in up to 365 days at Petrobras discretion. The operations commenced on October 18. 2022. In early November 2023 Petrobras has notified the Company that will exercise its option to extend the contract.

(6) On February 05. 2020. the Company announced that the Atlantic Star was awarded a contract with Petrobras. The contract has a firm duration of 1095 days and has the option to be extended by mutual agreement in 389 days. The work will be performed in the Campos Basin. located offshore Brazil. The operations commenced on January 06. 2021. In November 2023. the parties agreed to exercise the extension option with the inclusion of additional integrated services. In the new agreement the parties added another extension option by mutual agreement of additional 11 months.

Backlog [(1)]

	(in millions of $)						
	2024	**2025**	**2026**	**2027**	**2028**	**Total**	**%**
Ultra-deepwater………..	263,5	414,2	247,5	122,9	19,9	1.067,9	**96,3%**
Deepwater……………………	-	-	-	-	-	-	
Midwater……………………..	35,9	5,7	-	-	-	41,5	**3,7%**
Total……………………..	**299,3**	**419,8**	**247,5**	**122,9**	**19,9**	**1.109,4**	**100%**

(1) Contract drilling backlog is calculated by multiplying the contracted operating dayrate by the firm contract period. Our calculation also assumes 100% uptime of our drilling rigs for the contract period; however. the amount of actual revenue earned and the actual periods during which revenues are earned may be different from the amounts and periods shown in the tables below due to various factors. including. but not limited to. stoppages for maintenance or upgrades. unplanned downtime. the learning curve related to commencement of operations of additional drilling units. weather conditions and other factors that may result in applicable dayrates lower than the full contractual operating dayrate. Contract drilling backlog includes revenues for mobilization and demobilization on a cash basis and assumes no contract extensions.

Revenue per asset type (unaudited)

	For the three-month period ended June 30,		**% Change**	**For the six-month period ended June 30,**		**% Change**
	2024	**2023**	**2024/ 2023**	**2024**	**2023**	**2024/ 2023**
Net revenue per asset type:	*(in millions of $)*			*(in millions of $)*		
Ultra-deepwater............................	127.1	111.2	14.3%	252.2	218.7	15.3%
Deepwater	0.0	16.1	N.A	2.5	34.3	(92.9)%
Midwater.....................................	17.1	13.4	28.2%	33.5	27.9	19.9%
Total..	144.2	140.7	2.6%	288.1	181.0	2.5%

Operating Statistics (unaudited)

	For the three-month period ended June 30.		For the six-month period ended June 30.	
	2024	2023	2024	2023
Uptime (1):	*(%)*		*(%)*	
Total Offshore	98	92	96	93

	For the three-month period ended June 30,		Change	For the six-month period ended June 30,		Change
	2024	2023	2024/ 2023	2024	2023	2024/ 2023
Utilization days (2):	*(in days)*			*(in days)*		
Ultra-deepwater....................	552	552	0	1,098	1,092	6
Deepwater	0	91	(91)	14	181	(167)
Midwater..............................	92	92	0	183	182	1
Total...................................	644	735	(91)	1,295	1,455	(160)

(1) Uptime is derived by dividing (i) the number of days the rigs effectively earned a contractual dayrate by (ii) utilization days. Uptime adjusts for planned downtime. such as rig upgrades and surveys.

(2) Utilization days consider the impact of scheduled maintenance. reflecting the days without revenue related to planned upgrades and surveys.